

FDIC State Profile

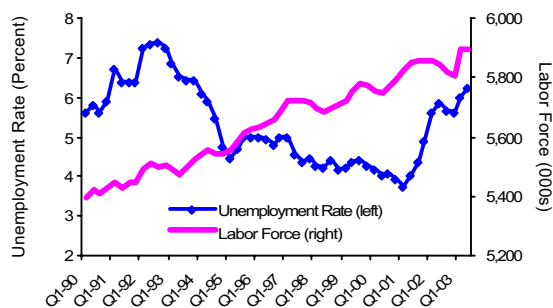
FALL 2003

Ohio

Economic weakness continues in Ohio.

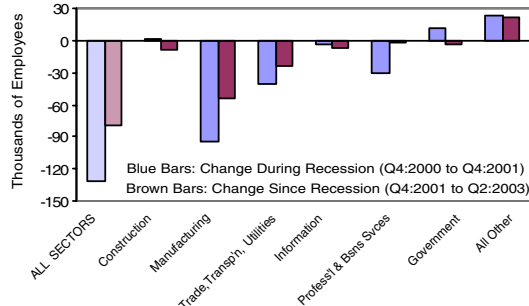
- After leveling out in 2002, Ohio's unemployment rate climbed to 6.2 percent at midyear 2003 (see Chart 1). Recent expansion of the state's labor force likely contributed to the rise in unemployment, as many new labor force participants did not find jobs.
- All told, Ohio lost 41,000 jobs in the year ending second quarter 2003. Manufacturing, the trade, transportation, and utility sector, and professional and business services continued laying off workers, although at a slower rate since fourth quarter 2001 than during the recession (see Chart 2). In contrast, the construction, government, and miscellaneous service sectors lost jobs in the past two years after posting gains during the recession. Meanwhile the pace of job loss in the information sector intensified.
- Personal income growth in Ohio has been in a range between 2.4 percent and 3.2 percent in recent quarters, a slightly slower pace than for the Chicago Region.¹
- The number of personal bankruptcy filings in the state rose 22 percent in the year ending second quarter, about double the national increase. This suggests that sluggish economic conditions and weak employment trends have been more keenly felt in Ohio than elsewhere.
- Housing markets in Ohio appear to be cooling. The number of single-family building permits in first half 2003 was marginally lower than a year earlier, and home price appreciation slowed to about 3 percent. Home resales remained high, however, supported in part by declining mortgage rates through mid-2003.
- The **Columbus** MSA commercial real estate market, the third largest in the state, has weakened considerably (see Chart 3). Commercial and industrial property vacancy rates have risen noticeably since fourth quarter 2000, driven by the return of leased space to the market and completion of construction projects.

Chart 1: Ohio's Rising Labor Force Contributes to Higher Unemployment Rate



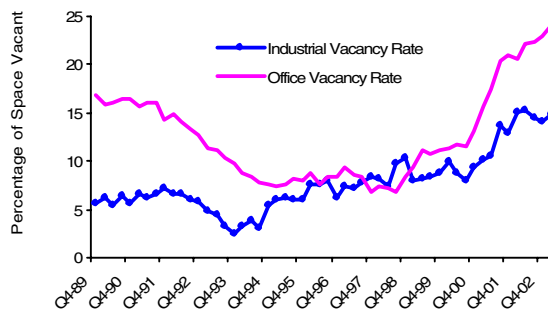
Source: Bureau of Labor Statistics

Chart 2: Job Losses in Ohio Slowed since the Recession



Source: Bureau of Labor Statistics

Chart 3: Commercial Property Vacancy Rates Are on the Rise in Columbus MSA



Source: CB Richard Ellis

¹ Illinois, Indiana, Kentucky, Michigan, Ohio, and Wisconsin.

State Profile

Insured institutions based in Ohio are performing well, but competitive pressures and rising mortgage rates could pose challenges.

- Insured institutions headquartered in Ohio reported a median first quarter 2003 annualized return on assets (ROA) of 0.93 percent, virtually unchanged from a year ago. Ohio's commercial lenders saw notable improvement in profitability, with ROA increasing from 0.93 percent to 1.02 percent from March 31, 2002 to March 31, 2003, respectively.
- Median net interest margins (NIMs) reported by all insured institutions based in Ohio held steady during the past year. Commercial institutions reported a decline in the median NIM, while mortgage banks reported widening margins (see Chart 4). Banks with high concentrations of long-term assets may face margin compression given the significant rise in interest rates that began in the second half of 2003, thereby heightening the importance of proper interest rate risk management.
- Past-due rates reported by banks and thrifts based in Ohio held steady in first quarter 2003; the median past-due rate of 2.18 percent ranked lowest in the Region.
- Commercial and industrial loans continued to represent the riskiest segment of major loan categories in Ohio's community institutions,² as demonstrated by its relatively high past-due rate (see Table 1).
- Competition for funding was strong in some areas of the state. Insured institutions based in the **Dayton-Springfield**, **Cincinnati**, **Cleveland**, and Columbus banking markets reported some of the highest median funding costs in the nation during first quarter 2003 (see Table 2).
- Banks and thrifts based in Ohio were active in 1- to 4-family residential real estate lending. Rising mortgage rates could dampen origination activity among these institutions and adversely affect this key source of fee income.

Chart 4: Mortgage Lender Net Interest Margins Have Increased Recently

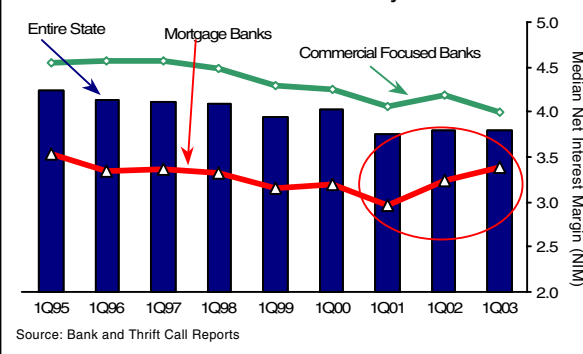


Table 1: C&I Loans Represent Highest Risk of All Major Loan Categories

Loan Category	Percent of Loans	Percent Past-Due
1-4 Family Real Estate	49%	2.24%
Nonresidential Real Estate	18%	2.28%
Commercial & Industrial	12%	3.94%
Consumer	9%	2.47%
Construction & Development	4%	3.19%
Agricultural	4%	1.82%
Multifamily Real Estate	4%	1.12%

Ohio's Community Institutions

Source: Bank and Thrift Call Reports

Table 2: Funding Costs Are High in Many Ohio MSAs

Metropolitan Area	Number of Institutions	Asset Yield	Costs of Funding Earning Assets	Net Interest Margin
Dayton-Springfield	12	5.84%	2.45%	3.33%
Cincinnati	55	5.88%	2.35%	3.39%
Cleveland	22	5.92%	2.34%	3.62%
Columbus	23	6.10%	2.31%	3.99%
Mansfield	10	5.96%	2.18%	3.83%
All MSAs, Entire Nation	3926	5.96%	1.94%	4.00%

Note: Median, year-to-date annualized ratios for community institutions headquartered in each MSA.

Source: Bank and Thrift Call Reports

² Insured institutions with less than \$1 billion in assets, excluding banks less than 3 years old and specialty banks.

State Profile

Ohio at a Glance

General Information	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Institutions (#)	312	321	336	352	355
Total Assets (in thousands)	615,487,406	541,231,184	435,221,277	389,717,328	324,866,365
New Institutions (# < 3 years)	5	12	17	15	7
New Institutions (# < 9 years)	25	25	24	24	17
Capital	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Tier 1 Leverage (median)	9.40	9.40	9.50	9.48	9.60
Asset Quality	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Past-Due and Nonaccrual (median %)	2.18%	2.12%	1.81%	1.57%	1.91%
Past-Due and Nonaccrual <= 5%	37	31	23	27	29
ALLL/Total Loans (median %)	1.04%	1.01%	0.97%	1.00%	0.99%
ALLL/Noncurrent Loans (median multiple)	1.01	1.19	1.39	1.56	1.61
Net Loan Losses/Loans (aggregate)	0.83%	0.96%	0.69%	0.49%	0.54%
Earnings	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Unprofitable Institutions (#)	18	22	21	23	12
Percent Unprofitable	5.77%	6.85%	6.25%	6.53%	3.38%
Return on Assets (median %)	0.93	0.92	0.89	0.98	0.99
25th Percentile	0.61	0.60	0.58	0.62	0.65
Net Interest Margin (median %)	3.79%	3.81%	3.76%	4.04%	3.95%
Yield on Earning Assets (median)	6.03%	6.84%	7.98%	7.83%	7.58%
Cost of Funding Earning Assets (median)	2.26%	3.04%	4.38%	3.97%	3.74%
Provisions to Avg. Assets (median)	0.12%	0.11%	0.10%	0.08%	0.06%
Noninterest Income to Avg. Assets (median)	0.51%	0.48%	0.46%	0.42%	0.41%
Overhead to Avg. Assets (median)	2.74%	2.70%	2.61%	2.67%	2.63%
Liquidity/Sensitivity	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Loans to Deposits (median %)	81.77%	84.36%	86.88%	87.04%	82.33%
Loans to Assets (median %)	67.99%	69.54%	72.53%	71.76%	68.96%
Brokered Deposits (# of institutions)	60	62	72	72	66
Bro. Deps./Assets (median for above inst.)	4.71%	4.63%	4.80%	2.13%	1.94%
Noncore Funding to Assets (median)	16.63%	16.77%	17.05%	15.51%	14.16%
Core Funding to Assets (median)	70.71%	71.54%	70.56%	71.67%	73.20%
Bank Class	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
State Nonmember	69	71	70	73	75
National	86	86	90	95	93
State Member	41	42	48	52	49
S&L	60	64	68	74	82
Savings Bank	31	33	33	31	31
Mutually Insured	25	25	27	27	25
MSA Distribution	# of Inst.	Assets	% Inst.	% Assets	
No MSA	133	24,426,741	42.63%	3.97%	
Cincinnati OH-KY-IN PMSA	45	253,993,286	14.42%	41.27%	
Cleveland-Lorain-Elyria OH PMSA	30	200,895,748	9.62%	32.64%	
Columbus OH	28	92,760,541	8.97%	15.07%	
Dayton-Springfield OH	12	2,200,842	3.85%	0.36%	
Mansfield OH	10	2,158,147	3.21%	0.35%	
Youngstown-Warren OH	10	17,407,795	3.21%	2.83%	
Akron OH	8	11,192,456	2.56%	1.82%	
Toledo OH	7	1,205,261	2.24%	0.20%	
Parkersburg-Marietta WV-OH	7	1,946,864	2.24%	0.32%	
Lima OH	5	931,509	1.60%	0.15%	
Canton-Massillon OH	4	3,080,126	1.28%	0.50%	
Huntington-Ashland WV-KY-OH	4	331,647	1.28%	0.05%	
Hamilton-Middletown OH PMSA	4	2,335,780	1.28%	0.38%	
Wheeling WV-OH	3	519,142	0.96%	0.08%	
Steubenville-Weirton OH-WV	2	101,521	0.64%	0.02%	